



Market and Trade Data

Taiwan's Wine and Spirit Market Overflows With Potential

By Jeff Miller and Jill Havekost

The cup is at least half full for the wine and spirit market on Taiwan. Since calendar 2001, the volumes of distilled spirit and wine sales have risen 37 and 221 percent, respectively. Whiskey sales alone shot up 76 percent during the period.

And if U.S. producers launch successful marketing campaigns, that cup could run over.

A Long, Proud Tradition

Taiwan's appreciation for grain-based alcoholic drinks manifests itself in the importation of Western alcoholic beverages, especially distilled spirits that closely resemble their Asian counterparts. Western brandy and whiskey have splashed into the glasses of the elite for more than a century. Accepted as symbols of status, wealth, and luxury, such spirits customarily grace tables at social and business events.

Distilled beverages constitute the most popular wine and spirit imports, accounting for 54 percent of overall import volume in 2006. Whiskey and brandy were the most popular, winning 65

Distilled spirits dominate sales, with 54% of total volume. Taiwan is a major market for high-end Scotch, and continues to grow. Wine holds huge potential, as it is gaining popularity.

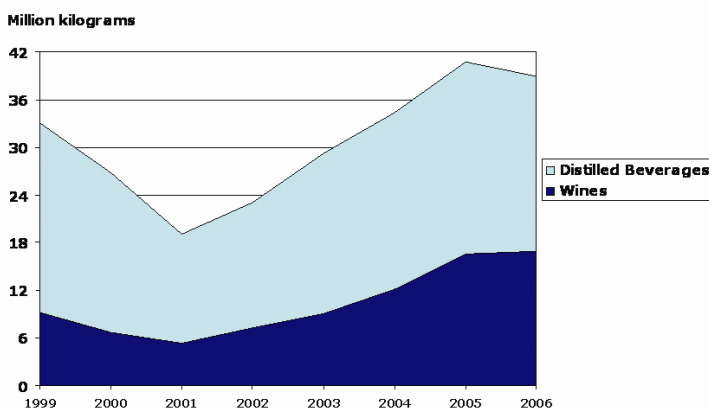
and 10 percent, respectively, of the distilled spirit import volume that year.

Wines lack the cultural roots that distilled beverages have in Asian culture. Though wines, particularly lower-priced ones, have made impressive gains in status and consumption, their main market remains limited to the more adventurous connoisseur. In the longer term, sales in the higher-end, luxury section of the market could trump gains in lower-priced varieties as consumers become more familiar with, and curious about, wines.

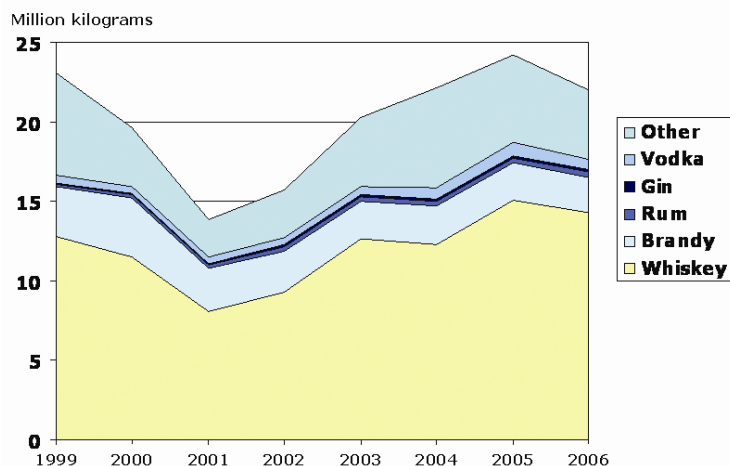
The Post-2000 Market: Opportunities for Growth

Wines: The increase in the number of Taiwan's informed consumers equals opportunity for U.S. exporters. Market observers encourage exporters to identify which slices of the market have the best sales potential. Exporters should then craft a follow-up strategy that includes: 1) selecting an importer/distributor with suitable sales channels, and 2) developing marketing support and training programs. While some major wine labels (e.g., those highly rated by widely published experts) may need only minimal marketing support for successful sales, most will benefit greatly from a well-targeted marketing program to make sure a label becomes familiar and respected among target consumers.

Since Calendar 2001, Taiwan's Wine and Spirit Imports Have Trended Upward



Whiskey and Brandy Dominate Taiwan's Distilled Spirit Imports

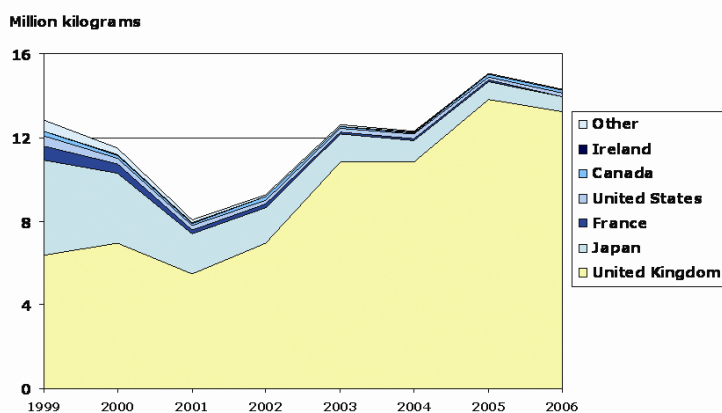


Several countries are, to varying degrees, backing entry of their wines and spirits into Taiwan's market through marketing programs by national trade offices. These countries include France, Chile, Italy, and the United States, which undertakes such activities through the California Wine Institute. Significant growth in recent years has encouraged competitors to increase their attention to this market, with visible success.

As a new taste to the Asian palate, wines have more room to grow than spirits in depth and breadth. Available at low-key social gatherings and occasionally in the home, wines currently are more novelty beverages than a social staple.

When they do purchase wines, informed Taiwan consumers favor European ones. However, most consumers are aware of New World wines and recognize California as one of the world's top

The United Kingdom Dominates Taiwan's Growing Market for Whiskey Imports



wine-producing areas. The deciding factors in purchasing higher-end wines usually are quality marketing and technical/educational support, while for lower-end wines the key is price.

Whiskey and Brandy: Fashion and trends significantly influence the success of a whiskey or brandy. Single-malt whiskey has eclipsed once-popular and heavily-promoted brandy or cognac as the most fashionable drink for sealing strategic partnerships and impressing friends. Taiwan is a major market for high-end Scotch, and continues to grow.

As the home of malt whiskey, the United Kingdom has been the primary supplier of this high-end luxury product. Taiwan consumers will pay more for U.K.-origin whiskey than for whiskey from Japan or the United States. In general, U.S.-origin spirits, including bourbon, rum, and vodka, do not offer the cachet that U.K. whiskey and French brandy do. Market share for spirits from the United States therefore remains quite small; their competitiveness is largely confined to the mixed-drink and second-tier markets, where price per unit is significantly more important.

However, Taiwan is a dynamic market that both welcomes new products and offers good potential for product sales in categories where either of two conditions can be met: 1) the product's flavor profile or format fits into Taiwan's culinary tradition, or 2) the product has a story that captures consumer interest and curiosity. Distilled spirits in general meet the first condition; products such as rum and bourbon draw on ancient traditions and fit into the second category. Creating consumer interest and focusing on attributes that support the introduction of products at the luxury end of the spectrum can help open the door for the full depth of offerings.

Success in Taiwan's Current Could Flow to Other Countries

Initial sales at the high end would have a fair chance of sparking a multiplier effect, if importers can be persuaded to take an interest in an area of new sales potential. Taiwan business people are investing heavily in the mainland China market and have great influence on establishing new trends there. In addition, Taiwan consumers are often looked upon by Chinese and Southeast Asian consumers as opinion leaders in fashion and food trends.

U.S. suppliers of wines and spirits that can develop more interest in and demand for their products on Taiwan stand a good chance of obtaining assistance from Taiwan companies in bringing their products to greater China with more success and less risk. A successful breakthrough on Taiwan could be leveraged as a platform to launch similar efforts in China and other key markets in Asia.

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